

## UNTERMYER PLANS CITY'S PROTECTION IN TRANSIT

Continued from First Page.

city authorities and placed in the exclusive control of the commission by the transit act under which the commission is operating. That much we owe to him! If the people can but be made to understand they will know how to repay the debt."

In his summary of his objections and suggestions to the Transit Commission's plan Mr. Untermyer took up first the question of the proposed "barometer fund" and a five cent fare, as follows: "I most emphatically protest against the provision for a barometer or sliding scale of fare that will furnish a perpetual guaranty for the payment of the principal of the bonds that are to be issued for the properties, thus creating at the expense of the fare payers of the city the highest grade of mortgage anywhere extant to-day, not excepting United States Government bonds, with an assured interest return of 5 per cent. and a possible 'return' of 6 1/2 per cent. per annum."

"My contention is that the plan should on the contrary absolutely limit the fare to 5 cents, and that if that involves temporary deficits (which the commission does not anticipate and to which I agree) they shall be provided for as hereinafter explained."

His explanation of how the five cent fare should be guaranteed was this: "If as thus reorganized according to the Transit Commission's plans with Untermyer modifications the maintenance of a five cent fare involves temporary deficits in operation (which I agree) they shall be provided for as hereinafter explained."

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As the prior lien bonds on which the money would be loaned to cover a five cent fare deficit "would unquestionably earn their interest," he said, "they should be readily available in normal times on their credit without pledging the city's credit, and would not affect the debt limit." He said also that a sliding or barometer increase in fare would be "fundamentally wrong" because under its operation it would be "so much easier to raise fares than to practice economy" that it would be an actual incentive to inefficiency and extravagance.

**Mr. Untermyer's Objections.**  
In summarizing other objections and suggestions Mr. Untermyer said: "I object to the proposed method of securing future investments by the city for extensions (estimated at \$250,000,000 at the rate of \$10,000,000 per year). The proposal to place the security for such payments in a position even less advantageous than the bonds that are to be issued for the properties, or even to place the same alongside of and on a par with the purchase money bonds, I consider grossly inequitable."

"This new money should be represented by a prior lien bond ahead of the bonds of the same class that should be issued to the city for its present investment of \$225,000,000 in the city owned subway."

"The accrued taxes of over \$11,300,000 now past due and all taxes that may be imposed before the plan takes effect, all of which the commission proposes to cancel and forgive, should be paid and funded in prior lien bonds."

"They are now liens ahead of all the securities on these properties. The roads can be forced to pay them. The properties may be sold free and clear of those liens if they are not paid. Why should they be cancelled? If, as the plan seems to contemplate, physical value of the property is to be a basis and the security holders are to get a guaranteed bond, and their damage and tort claims are to be provided for (as they certainly should be, in fact, even at the expense of the bonds if necessary), what, pray, are they sacrificing to entitle them to secure the cancellation of the \$11,300,000 of tax liens that are ahead of them?"

"If it be said that the \$225,000,000 subway debt, which now ranks subject to the \$200,000,000 bonds held by private investors is to rank equally with such bonds in the plan, my answer is—thank you—for nothing. If all the bonds are to be guaranteed by this barometer fare and paid for by the travelling public by increased fares, if does not concern the security holders how many bonds other than theirs are issued, or to whom or what are their relative priorities. "I object that the \$225,000,000 which the city now has invested in its subway that are to be turned over to 'A' company and to be subjected to the lien of the bonds to be issued for the properties is not to be likewise evidenced by the physical issue and delivery of bonds to

## Mr. Untermyer Tells How to Protect City Interests in Transit Companies Settlement

**SAMUEL UNTERMYER** suggested last night the following modifications of the Transit Commission's plan:

The "barometer fund" idea should be abandoned and instead a five cent fare be guaranteed by loans from the city to cover any temporary deficiency from operation at that rate, the loans to be secured by a prior lien.

The Transit Act should be amended giving the city recourse to judicial review of the Transit Commission's acts, particularly as to protection against the possibility of property being transferred to the city at disadvantageous valuations.

The city should have representation by four members of the seven in the Board of Control, instead of three as suggested by the commission, and should have "substantial" representation in the directorate of the operating companies.

The \$113,000,000 accrued taxes owed by the transit companies should be paid and funded in prior lien bonds instead of being cancelled.

The city's future subway investments should be given a lien ahead of the purchase money bonds to be issued for the properties, and bonds of the same class as the purchase money bonds should be issued for the city's present investment.

company besides city representation in each of the operating companies, but above and beyond all the holding companies should have reserved to it a right of veto upon the continuance of the then constituted management of any of the operating companies, and to require the holding of a new election for directors. As the city will probably have a larger investment than the private investors, there is no reason why it should be content with the mere perfunctory and inadequate participation in the operating companies that is given to the holding company under the plan. The details of the regulatory powers as between the companies by which the city will reserve the unquestioned right to get rid of a dishonest, inefficient or extravagant management cannot be settled in any plan. It must be provided for by the terms of the various charters and leases.

It is holders furnished a basis for wild speculation and plundering of the investing public was "nothing short of a catch phrase play to the gallery to attract the unknowing and unthinking." In almost as many words Mr. Untermyer told Comptroller Craig a man with as much sense as he has ought to be ashamed of himself for some of the things he said about the plan.

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## TAX SLACKERS GIVE UP \$1,000,000 DAILY

\$300,000,000 Expected to Be Collected in Current Fiscal Year.

**MANY FRAUDS EXPOSED**  
Returns Twice Audited by Large Staff of Revenue Bureau Experts.

Special Despatch to THE NEW YORK HERALD.

New York, Oct. 13.—[New York Herald Bureau.] Nearly \$1,000,000 a day is being forced from tax dodgers and individuals and corporations making false or mistaken returns of excess profits and other business taxes, according to records of the Treasury Department.

More than \$300,000,000 will be collected in this way during the current fiscal year, according to estimates of the Internal Revenue Bureau. That estimate is regarded as conservative, for such collections in the last twenty months have totalled nearly \$500,000,000.

Collection of back taxes is the diplomatic phrase under which the Government officials list such collections. A very large percentage of the returns on which "back taxes" are paid are based on deliberate attempts to defraud the Government, the records show. In some cases, however, mistakes are made in filing returns because of ignorance on the part of the taxpayer.

Back taxes under the present revenue law may be collected any time within five years. Returns filed this year may not be proved until 1925, under one interpretation of the law.

Collection of back taxes is proceeding under a complicated system of double checks and audits of returns. The task is tremendous. More than 5,500,000 returns were filed by individuals this year. An additional 300,000 returns were filed by corporations. All returns must be read and reread by officials and auditors of the Revenue Bureau.

A force of more than 2,000 trained clerks and examiners is checking the returns. This force is scattered through the district offices in the big cities. A part of it is at work in Washington. Two audits are given to each return. Some returns are scrutinized several times. The first audit is made in the office in which the return is filed. In some cases the second audit takes place within a month; in other instances after several months. In a few cases the delay has run more than a year. But in the end the bureau has checked and double checked every return filed according to the present system.

Where deliberate fraud was intended the practice of the bureau is to mete out the full penalty, which ranges from payment of a double tax to a jail sentence. To obtain a full sentence the bureau officials, however, must take their case into court. In cases of several large corporations this has been done. In the case of one corporation more than \$10,000,000 of additional taxes was paid as a result of criminal action.

Internal Revenue Commissioner Blair is waging a continual warfare against alleged Federal income tax experts who attempt to advise corporations, individuals and firms illegally in making out their returns. Mr. Blair and his assistants for months have been investigating agencies maintained by alleged tax experts willing to show clients how to evade the law. To assist persons and concerns in making up their returns the Internal Revenue Bureau maintains a force of officials in each district office. These officials are instructed to give the individual the benefit of every reasonable doubt and are not, as some persons believe, assigned there to see that the Government gets the best of every possible interpretation of the law.

The bureau examiners have innumerable ways of detecting false returns. Although these methods are generally secret it is known that one includes an annual examination in each district each year of all real estate transfers. That gives a clue to the bureau as to who made profits through sale of property. When these profits do not show in the individual income tax returns the taxpayer is called on to explain.

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